DOING BUSINESS IN LIBERIA

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Table of Contents

Historical Background

Liberia, Africa's oldest republic is located on the West coast of Africa along the Gulf of Guinea and shares borders with Sierra Leone, Guinea, and Cote d'Ivoire. Liberia is a member of the Economic Community of West African States (ECOWAS), the African Union (AU) and the United Nations (UN).

In 1821, Liberia was founded when officials of the American Colonization Society (ACS) were granted possession of Cape Mesurado by local chiefs for the settlement of freed American slaves. African-American immigrants arrived in 1822, the first of some 15,000 to settle in Liberia. The Colony struggled during its early years as hostility from indigenous tribes and tropical diseases took their toll. In 1847, primarily due to British pressures, the colony was declared an independent republic. The Americo-Liberian minority controlled the country's politics, and new immigration virtually ended with the American Civil War.

Conflicts over territorial claims resulted in the loss of large areas of land to Britain and France. However, rivalries between the Europeans colonizing West Africa and the interest of the United States helped preserve Liberian independence during this period.

In 1909, the government was bankrupt, and a series of international loans were floated. Firestone leased large areas for rubber production in 1926. In 1930 scandals broke out over the exportation of forced labor from Liberia, and a League of Nations investigation upheld the charges that slave trading had gone on with the connivance of the government.

Under Tubman (1944-1971), new policies to open the country to international investment and to allow the indigenous peoples a greater say in Liberian affairs were undertaken. The country's mineral wealth, particularly iron ore, began to be exploited, and there was a gradual improvement of roads, schools, and health standards. Upon Tubman's death in 1971, Vice President W. R. Tolbert took charge, and in 1972, he was elected to the presidency. Tolbert cultivated a democratic climate and favorable relations abroad.

In 1980, Tolbert was assassinated in a coup led by Master Sergeant Samuel K. Doe. The government unleashed a campaign to subdue opposition. In 1984, the military government instituted a series of constitutional reforms that included shortening the presidential term and outlawing the formation of a one-party state. Doe became Liberia's first indigenous president (by a fraudulent election) in 1985. The Doe government was infamous for corruption and human-rights abuses.

Late in 1989, Liberia was invaded from Côte d'Ivoire by rebel forces of the National Patriotic Front of Liberia (NPFL), led by Charles Taylor, who proclaimed himself president. In 1990, Doe was assassinated by another group of rebels led by Prince Yormie Johnson. The Economic Community of West African States (ECOWAS) intervened to negotiate a peace settlement among the two rebel groups and the government. ECOWAS also sent a Nigerian-led West African peacekeeping force to Monrovia and installed an interim government led by Amos Sawyer.

In August 1995, a peace accord was signed in Abuja, Nigeria, that provided for an interim government headed by Wilton Sankawulo. In April 1996, fierce factional fighting resumed in the capital; however, disarmament began later that year, and the war formally ended in 1997. It is estimated that between 150,000 and 200,000 lives were lost in the civil strife, and hundreds of thousands of refugees fled the country.

In July 1997, a multiparty presidential election (considered free and fair) brought Charles Taylor to power. Under Taylor, the country remained economically devastated while he and his family, and associates enriched themselves by looting Liberia's resources. In the late 1990s, Liberia was accused of supplying troops to support rebel forces in Sierra Leone's civil war. Taylor, a long-time ally of the Revolutionary United Front (RUF) in Sierra Leone, supplied the rebels with arms in exchange for diamonds. In May 2001, the UN imposed sanctions on Liberia. In mid-2001 fighting erupted in northern Liberia between anti-Taylor rebels and government forces. The rebels continued to expand the war into other regions of Liberia. By mid-2003, the rebels controlled roughly two thirds of the country and threatened to seize Monrovia. This led to calls for Taylor to step down.

National Transitional Government of Liberia (NTGL)

In August 2003, Taylor resigned and went into exile to Nigeria. He was temporarily succeeded by his vice president Moses Blah. A peace agreement was signed with the two rebel groups (Liberians United for Reconciliation and Democracy [LURD] and Movement for Democracy [MODEL]) in Accra, Ghana and several thousand West African peacekeepers, supported temporarily by an offshore U.S. force, arrived. In October 2003, the West African force was placed under UN command and was reinforced with troops from other nations. Businessman Gyude Bryant became president of a new power-sharing government, the National Transition Government of Liberia (NTGL).

Despite the accord with the rebels, fighting initially continued in parts of the country. Tensions among the factions in the national unity government also threatened the peace. By the end of 2004, however, more than 100,000 Liberian fighters had been disarmed, the former government and rebel forces agreed not to rearm, and the disarmament program was ended. In June 2004, a program to reintegrate the fighters into society began, but the UNDP Trust Fund has had funding issues. In light of the progress made, Chairman Bryant requested an end to the UN embargo on Liberian diamonds and timber, but the Security Council postponed such a move until the peace was more secure. Bryant's government has been hindered by corruption and a lack of authority in much of Liberia. The NTGL consists of a motley collection of representatives from the various rebel groups and the government of former President Charles Taylor. As a failed state, enormous challenges remain to put Liberia back on track even though major strides have been achieved since August 2003.

Elections 2005 and the New Government

Presidential and general elections were held on October 11, 2005. There were 22 presidential candidates and 762 legislative candidates contesting 64 representatives and 30 senatorial positions. After the first round of elections, George Manneh Weah and Ellen Johnson Sirleaf won the highest votes. A runoff was held on November 8, 2005. Ellen Johnson Sirleaf was declared winner with 59.4% of votes cast. Madam Sirleaf was inaugurated on January 16, 2006 as Liberia's 23rd President. In her inaugural address, she pledged to fight corruption, reconcile the country and resuscitate the economy.

Economic Overview

Liberia's abundant natural resources make it a country with great potential for investment. Though civil unrest and insecurity has stymied this potential in the last 15 years, Liberia has begun to benefit from the peace that has come with the departure of the former president Charles Taylor, the presence of 15,000 United Nations Peace Keepers, and the installation of the National Transitional Government of Liberia on October 14, 2003. Years of civil unrest have destroyed the country's institutions and the economy. Agriculture, mining, local manufacturing activities came to a halt. However, since the United Nation's intervention, Liberia's economic indicators including real GDP, inflation, prices, and exchange rates have shown positive signs. United Nations, U.S. Treasury, the IMF and international non-governmental organizations (NGOs) experts and advisors in the area of forestry, mining, judicial reform and governance are helping this failed state to create the conditions for economic growth and sound financial management and accountability for its rich resources.

The death of an estimated half-million Liberians and the migration of many others to safe havens in other countries resulted in a shortage of skilled manpower and a depleted labor force. Liberia's literacy rate is estimated to be 57 percent and the unemployment rate is 85 percent. Liberia's population is estimated to be 3.4 million with a population growth rate of 2.5 percent. Liberia is one of the poorest countries in the world with a GDP of U.S. $407. The year-on-year inflation rate was estimated at 7.8 percent in 2004. In 2002, real GDP growth rate was 3.3 percent, but during 2003, the economy shrank by 30 percent. The economy rebounded in 2004 with real GDP rising from –30 percent to 2.6 percent. In the first quarter of 2005, prices of essential commodities stabilized as supply constraints eased. In 2004, exchange rates were relatively stable and this has continued into 2005. This stability is largely due to the return of private capital, donor aid inflows and demand for local currency associated with increased business activity.

Liberia is on the road to economic recovery. The inauguration of the new government has introduced a sense of stability and cohesion that will stimulate the economy. Private sector investment is the key to Liberia's economic growth. Private sector led economic growth provides the means to alleviate pressing socio-economic and other concerns. This process can only be effective if a transparent legal environment is created, coupled with a transparent and accountable system that free up credits, improves infrastructure and the social well being of the people.

Starting a Business in Liberia

Foreign companies may do business in Liberia as a sole proprietorship, partnership or corporation. A new business may be incorporated locally or abroad, and its ownership can be a combination of foreign and local ownership or foreign owned. Starting a business in Liberia can be simple provided the process is not highjacked by bureaucratic red tape. New businesses are required to register with the Ministry of Commerce and Industry (MCI).

Basic requirements to start a business in Liberia:
Submit Letter of Application to the Minister of Commerce and Industry (MCI)
Complete the letter of application and pre-registration forms that can be acquire for US$100.00 from the Ministry of Commerce and Industry cashier. Documents must state the proposed name of the business, initial capital, location, ownership and nature of business activities.
The registration fees for foreign businesses are as follows: Sole Proprietorship – US$700.00; Partnership – US$800.00; Corporation – US$900.00.

Depending on the amount of capital, sector (e.g. mining, energy, agriculture, telecommunications), and location of the investment, investors may be eligible for investment incentives offered by the National Investment Commission (NIC). All foreign investors are advised to provide the NIC with a detailed project proposal to determine if the intended investment qualifies for investment incentives or concessions on custom duties or tariffs.

Embassy recommends that investors engage a lawyer to prepare the documents of incorporation and make the necessary contacts at the Ministry of Foreign Affairs. The involvement of a legal practitioner may help to curtail bribery requests and rent seeking by public officials.

Government Incentives for Foreign Investors

On March 21, 1966, the Liberian Parliament adopted the Investment Incentive Code of the Republic of Liberia (the Code). The Code, revised on March 6, 1973, prohibits nationalization of private enterprises of private enterprises and aims to attract the foreign investment needed to stimulate Liberia's economy. The National Investment Commission of Liberia (NIC) implements the Code. The NIC investment incentives may be granted to businesses involved in projects that process, fabricate, manufacture finished and semi-finished goods from raw materials and/or assemble finished goods from component parts. Incentives may also be given to entities that undertake approved investment projects in the following sectors: agriculture, forestry, fishing; mining and quarrying; building and construction; transportation and communication as well as electricity, gas, and water (if this is not contrary to the Public Authorities Law). The incentive provided to businesses may differ based on the amount invested and the nature of the investment.

An approved investment must also:

Be a priority project as established by the National Planning Council (NPC);
Ensure the permanent employment of Liberians of all levels and carry out appropriate training schemes and to expand employment and training activities as the enterprise grows;
Permit Liberians to purchase shares or otherwise participate in the ownership of the enterprise;
Include a local value added content of not less than 25% of the value of gross output and utilize Liberian origin raw materials and other supplies; and
Use imports only when local products are not available in sufficient quantity and /or its quality or price is not comparable to the intended import as determined by the Government.

Modalities; investors must follow these guidelines:
Submit Letter of Application or intent simultaneously to the Chairman of the National Investment Commission and to the Ministry responsible for the sector in which the approved investment project is to operate. This application should include a detailed project proposal to include the following:
Name, address and biographical and/or background data of the sponsor(s);
Banking reference;
Form of organization and domicile of the sponsor(s);
Articles of incorporation; and
The project detail should indicate
The nature of the business;
Proposed general location; land; building; machinery and equipment required and their values;
Manpower required in the unskilled, skilled, technical, clerical, managerial and other categories and their proposed source of origin;
Estimated total investment into fixed and working capital and the initial amount of capitalization by class of stock and other liabilities; and
Source of financing and debt to equity ratio of 3:1; and program of profit and loss, cash flow and balance sheet statements for a projected period of five (5) years.

Enterprises granted Investment Incentives:

Exemption from Customs duty of up to 90% on approved imports of machinery and equipment (no exemption on spare parts); and construction materials and on raw materials; and
Tax exemption on profits re-invested in fixed assets and exemption of the remaining profits of the enterprises from 50% of the income tax that would be otherwise payable.
Loss carry-over provision;
Accelerated depreciation of fixed assets;
Enterprises having Investment Incentive Contracts (IIC) will receive one or more of the following:

Preferential rate for lease of available land for plant site in the Industrial park (free zone);
Assistance in obtaining land selected by the investor on a long-term lease, which applies to land for the purposes of industrial, agricultural and real estate development;
Support in securing loans and/or contributions of equity capital by pertinent agencies of the government of Liberia, Liberian entrepreneurs and/or enterprises; and
Credit guarantees.

In recent years, civil war and corruption in government have discouraged foreign investment. The Code has been more or less ignored. The emergence of a new government should ensure the respect for the rule of law and rekindle Liberia's moribund investment Code.

Customs Duties and Standards

The Bureau of Customs and Excise in the Ministry of Finance is responsible for custom duties and standards. The Customs Revenue Code and Harmonized Description and Coding System of the Customs Tariff Schedules of the Liberia Act of 2000 (Phase one of the Reform Tax Code of Liberia) provide the regulatory regime for custom duties and standards. The Code’s aim is to ensure that customs officers assigned at ports properly process imports or exports, collect duties thereon and administer the various provisions of the customs law.

Except otherwise allowed under the customs laws, no vehicle or vessel shall enter or depart from Liberia by land or inland waterway, or carry any imported goods on which the duty has not been paid in transit through Liberia by land or inland waterway. The person in charge of any vehicle or vessel entering Liberia which is carrying any goods, or importer of any goods should proceed to the nearest customs point of his entry and tender to the officer any manifest, waybill, loading list, tally, invoice or other document in his possession relating to the goods. This process provides the custom agent with the information necessary to properly impose import or export levies, if any.

Duties on imported goods range from 2.5 percent to 25 percent. Most luxury items, including electronic equipment, furniture, clothes, and alcoholic beverages have a 25 percent duty. Customs officers frequently assess and tax goods more than is required and are susceptible to bribes.

Exemption

There are various exemptions from customs duties. The National Investment Commission (NIC) in its bid to attract investors has an incentive program that includes waiver of duties and tariffs. The NIC exempts from customs duties and stamp fees of up to 100% on approved imports of: machinery and equipment; spare parts; raw and auxiliary materials; building and construction materials. Also, exempted from duties are government agencies, charitable private organizations that are approved by and registered with the republic of Liberia, foreign governments, foreign diplomatic representatives, consular officials, and international organizations and their officials.

Liberia has clearly defined Code of Custom standards, but the organization of the Bureau of Customs, especially the ineffectiveness of staff in the field, leaves much to be desired. Customs officers in the field often lack training. Hopefully the government elected in October 2005 elections will revitalize the Custom's regime to ensure strict enforcement and increased revenue generation.

Overview of the Banking Sector

Commercial Banks in Liberia are governed by the 1999 Banking Act (the Act). The Act, among other things, details the banking sectors licensing, regulatory regime, and minimum capital requirements.

Licensing and Regulations: The Act spells out the requirements to establish a bank in Liberia. Key sections detail provisions regarding: articles of incorporation, shareholder lists and proposed equity ownership, the professions and other business interests of shareholders; names of principle officers and Board of Directors, and a viable business plan. Once licensing requirements are satisfied, each new bank is issued a provisional banking license valid for six months. The provisional license enables the new bank to establish operations in the country. After a six-month review to determine that the bank has fully established its operational requirements, the provisional license converts to a full operating license. During 2004, the Central Bank of Liberia (CBL) also issued operating licenses to 10 foreign exchange bureaus.

Minimum Capital Requirement: The Act sets a statutory minimum capital requirement of US$2 million or (L$80 million) for all banks. The required capital is to be deposited in an escrow account in a bank acceptable to the CBL. In reality, many of the operating banks elect to hold this capital in banks operating in the United States or Europe.

The Act does not restrict foreign ownership in the financial sector. Major shareholders in the new banks are from Italy, Nigeria and the United States.

Central Bank Restructuring and Resolution Policy: The Accra Comprehensive Peace Accord (CPA) signed in Ghana in 2003 established the present National Transitional Government of Liberia (NTGL) and international support for political and security reform in Liberia. Before signing the CPA, the four banks operating in Liberia suffered heavy losses due to political instability and general economic stagnation that characterized Liberia during the preceding 15 years of war. One of those banks, Tradevco, is now closed. The other three banks have struggled to survive and in recent months have shown signs of recovery. This incipient recovery is laudable, particularly in view of the continued hardships in the Liberian economy, including: UN imposed sanctions on diamond and logging activities; the absence of electricity and other basic utilities, an unemployment rate of 85%, and the high cost of imported goods. These dire conditions notwithstanding, some of the banks reported positive earnings in 2004.

In December 2004, the CBL, in an effort to address the banking sector problems, introduced the Bank Restructuring and Resolution Policy to restructure the banking sector. One bank, Tradevco, has submitted to voluntary liquidation under this new policy. Over the past six months, the CBL has introduced a number of new regulations and guidelines to improve the management of banks and to provide additional safeguards for depositor funds. However, representatives of the Liberian Bankers Association (LBA), which represents all of the commercial banks, have urged the CBL to consider that the government of Liberia is directly responsible for much of their plight and that the CBL must take into account Liberia's continuing economic challenges before instituting some elements of the new policy guidelines.

A requirement of the new CBL policy is that commercial banks increase their capital to reflect impaired loans on their balance sheets, which would reduce net profitability and dividends available to shareholders. The LBA continues to urge the regulators to consider recent trends showing improved profitability and domestic economic recovery. Bankers also contend that the high level of non-performing government debt, which accounts for significant share of their assets, further deplete their capital positions.

New Banks: In the first quarter of 2004, the CBL issued provisional operating licenses to Global Bank (Liberia) Limited (GBLL) and First International Bank (Liberia) Limited (FIB). The CBL extended full operating licenses to them early in 2005. The addition of new banks may signal a general improvement in economic activity, which is expected to continue if the current political reform process stays on course and if UN imposed, sanctions are removed. GBLL and FIB join the three commercial banks already operating in Liberia: Liberian Bank for Development and Investment (LBDI), Ecobank and International Bank (Liberia) Limited (IB).

Property Ownership and Protection of Property Rights

Chapter III, Article 22 of Liberia's Constitution provides for real property rights as follows:
Every person shall have the right to own property alone as well as in association with others; provided that only Liberian citizens shall have the right to own real property within the Republic.
Private property rights, however, shall not extend to any mineral resources on or beneath any land or to any lands under the seas and waterways of the Republic. All mineral resources in and under the seas and other waterways shall belong to the Republic and be used by and for the entire Republic.
Non-citizen missionary, educational and other benevolent institutions shall have the right to own property, as long as that property is used for the purposes for which acquired; property no longer so used shall escheat to the Republic.
The Republic based on reciprocity, may convey to a foreign government property to be used perpetually for its diplomatic activities. This land shall not be transferred or otherwise conveyed to any other party or used for any other purpose, except upon the

expressed permission of the Government of Liberia. All property so conveyed may escheat to the Republic in the event of a cessation of diplomatic relations.
The constitutional provision that denies real property ownership rights to foreign nationals and firms is a serious obstacle to foreign investors and hampers economic recovery. This policy has resulted in Lebanese, Asian other foreign businessmen, who control the economy, limiting their activities to commercial trade and the service industries. Government review of this provision is necessary to determine if this policy has a net negative impact on foreign investment, and consider extending the right to own property to foreigners.

Liberia's recording system for deeds and secured property interests and many other records were destroyed during the civil conflicts. This makes most disputes over real estate ownership and most judgments vague and unsettled. The lack of adequate facilities and salaries for judicial officers also degrades enforcement of property right.

Labor Regulations

Wage Structure and Controls, Social Security and Unions

The Labor Code enacted by the Legislature is the cornerstone of the Labor Practices Laws of Liberia.

Wage Structure and controls

Minimum Wage Board and Fixed Minimum Wage: A Minimum Wage Board created in the Ministry of Labour determines the minimum wage to be paid to each class of employee within the Republic of Liberia. Minimum wage provisions do not apply to:

Government employees;
Employees engaged in domestic or professional service;
Employees in firms with less than four employees;
Employees in firms in which only the employer's family are employed; and
Employees holding a managerial position or employed in a confidential capacity.

Minimum wage established shall be that amount suitable to maintain the minimum standard of living necessary for the health, efficiency and general well being of the employees and their families.

An unskilled laborer shall be paid at the rate of not less than twenty-five cents an hour if he is an industrial laborer and not less than one dollar and fifty cents per eight-hour day if he is an agricultural laborer, exclusive of fringe benefits.

Social Security

The National Social Security and Welfare Corporation (NASSCORP) established by an Act of the National Legislature on July 10, 1975, administers Liberia's Social Security Program. It also administers the Employment Injury Scheme (EIS) launched on February 1, 1980 and the National Pension Scheme (NPS) launched on September 1, 1988.

Employment Injury Scheme (EIS)

The EIS provides benefits to employees injured or disabled due to an accident in the workplace or to dependents of an employee who dies due to such an accident. The amount of the benefit is based on the person's average monthly earnings before the accident. Contributions under this scheme are paid only by the employer at the rate of 1.75% of the monthly earnings of each employee. Benefits provided under this scheme include:

Disablement benefit, which may either, be temporary or permanent;
Death benefit or dependent's benefit to widow, children et cetera;
Constant Attendance Allowance (CAA);
Funeral Grant: Given to the person who incurs funeral expenses; and
Medical Care.

The evaluation to determine the degree of disability is done by a Medical Board, consisting of three (3) medical practitioners out of a membership of 13 medical doctors who are not salaried employees of NASSCORP.

The National Pension Scheme (NPS)

This scheme helps retired people; employees unable to work due to serious illness or disablement; and dependents of deceased members of the scheme. It covers all employees working in Liberia or abroad for a Liberian employer. The employer should have five (5) or more employees. This scheme does not cover:

Individuals born before September 1, 1929;
Individuals below 16 and above 65;
Individuals with an earning of less than $50.00 monthly;
Wives working for their husbands and vice versa; and
Members of the Armed Forces of Liberia and Security Forces.

Under the NPS, in the event where one changes job, one maintains his/her Social Security number and continues contributions. Benefits include:

Retirement Pension

The insured is entitled to 25% of his/her average earnings for life provided the insured:
Attains the age of 60 or 65 maximum and retires from work;

Pays his/her contribution of 3% of average earnings for 100 months (8 years 4 months) as well as if his/her employer concurrently pays a monthly contribution of 3% of the worker's average monthly earnings. Following these payments, the rate of pension benefit increases by 1%. The rate of pension is dependant on the number of monthly contributions paid and the average monthly earnings during the best 3 years before retirement.

Invalidity Pension

The insured is entitled to 25% of his/her average earnings for life provided the following conditions are satisfied.

Medical condition wherein one is examined by a medical board, which will decide if one is permanently incapable of work or not.

Contribution condition which exist having paid at least both 50 monthly contributions during the last 60 months before stopping work as well as contributions for at least two-thirds of all possible months from the date of joining the scheme.

Survivors' Pension

The insured is entitled to 25% of his/her average earnings for life. The entitlement is granted when one dies before the age of 60 and has paid at least 50 monthly contributions. A survivors' benefit will be paid to dependents:
With a widower receiving 50% for life of the amount the deceased would have received had he been alive or until remarriage; and

Each child up to 5 years of age gets 10% of the insured's pension entitlement;
Children up to 18 years or until they finish full-time education receive allowances.

Each insured worker is entitled to a Social Security Number and Identification Card.

Pension of Foreign Workers

Foreign employees working in Liberia are to contribute as they have the same rights and obligations as Liberians under the NPS. On their permanent departure, they can apply for a refund of all the contributions they have made. Alternatively, they can leave their contributions in the scheme and receive a pension in their country at the age of 60.

Unions

According to Liberian law, labor organizations and associations of employers, shall have the right to draw up their constitutions and rules, to elect their representatives in full freedom, to organize their administration and activities and to formulate their programs.

In line with labour practices, law with respect to the privileges and functions of labour unions, no industrial labour union or organization shall exercise any privilege or function for agricultural workers and no agricultural labour union or organization shall exercise any privilege or function for industrial workers.

There shall exist among employees and employers, freedom of association without distinction; they should have the right to establish, and subject to the rules of the organization concerned, to become members of organizations of their own choosing without previous authorization or coercion. In this regard, no employer shall discriminate against an employee because of membership in a labor organization.

Price Control

The Price Analysis and Marketing Division of the Ministry of Commerce and Industry monitors prices in Liberia to ensure price stability. Market forces generally determine the price of most goods in the Liberian economy. However, commodities that the Government of Liberia considers strategic national commodities, such as rice, cement and petroleum products, are closely monitored and controlled. Historically, the hoarding of these items and/or radical price increases of these commodities have led to political and civil unrest. In 1979, a major riot erupted when the Government of Liberia raised the price of rice, supposedly to create an incentive for self-sufficiency.

Liberia needs to examine its price control polices and practices. Government intervention, licensing procedures, and corruption distort the market. Licenses are frequently given to those with political connections and unscrupulous business people often manipulate the market to create artificial shortages and ignore government price controls. The Ministry of Commerce rarely fines or imprisons individuals guilty of violating its pricing policies. The price determination process is opaque. The stability of prices in the market place is a function of many factors. While shipping, custom duties, and service related charges are transparent, other costs associated with bureaucratic red tape and corruption are not, and these costs are passed on to the consumer.

The impact of prices on consumers in Liberia is critical, especially so when the purchasing power of the average citizen is minimized due to high unemployment and low wages. Coherent government policies on price controls are vital to resuscitate Liberia's economy. The involvement of officials in price fixing and other bureaucracy impediments that affect the price of goods and other commodities in the market must cease.

As Liberia transitions from its failed state status and attempts to normalizes its economic and commercial relations with its neighbors and the international community, especially multilateral institutions (The World Trade Organization, The World Bank and the International Monetary Fund), it needs to harmonize its trade and investment regime to regional and international standards. It will have to determine when and under want conditions to protect its infant industries and open its markets to so called strategic commodities. For instance, the need to open Liberia's market for cement is crucial to the reconstruction of Liberia's war-ravaged economy. One cement plant has a virtual statutory monopoly and the price is strictly controlled; yet, the country's demand for cement is not met. Opening the cement industry, rice and petroleum markets to competition will affect supply and price, limit the intermittent shortage of these products, and benefit consumers.   Restrictions on market access to these areas have led to continued fluctuation of wholesale and retail prices and blocked consumer access to these commodities at global free-market prices.

Public Tender and Government Procurement

The General Service Agency is the government agency authorized by law to procure goods and services on behalf of the government of Liberia. However, public tender and government procurement procedures are the subject of constant controversies and review because various ministries, state-owned enterprises and public corporations also have the right to procure goods and services. The public tender and procurement process has been marked by rescinded contracts and procedures that lack transparency.

Since its inauguration, the National Transitional Government of Liberia (NTGL) has come under increasing pressure to exhibit transparency and accountability in public tender and government procurement. The Comprehensive Peace Agreement (CPA) which established the NTLA, created the Contracts and Monopolies Commission (CMC) to oversee activities of contractual nature undertaken by the government. The mandate of the CMC is as follows:

Ensuring that all public financial and budgetary commitments entered into by the NTGL are transparent, non-monopolistic and in accordance with the laws of Liberia and internationally accepted norms of commercial practice;

Ensuring that public officers will not use their positions to benefit from any contract financed from public funds;

Publishing all tenders in the media and on its own website to ensure maximum competition and transparency. The Commission shall also publish on its website the result of tenders as well as a record of all commercial entities that have participated and succeeded in reviewing contracts;

Ensuring the formulation and effective implementation of sound macro-economic policies that will support sustainable development goals; and

Collaborate with the international institutions to provide financing to Liberia in carrying out its functions.

Given the important functions enumerated above, The CMC, in its bid to institute public procurement reforms and as provided for in Cluster 9 of the (Economic Management) of the Results-Based Transition Framework (RFTF), developed the Interim Public Procurement Policy and Procedures (IPPPP). These procedures are to assure the following:

Public procurement is conducted in a transparent and efficient manner so as to achieve value for money;

Contracts are awarded in structured and collective manner and not in a discretionary manner;

All eligible bidders are given equal opportunity to provide goods, works and services via public contracts;

Public contracts are awarded in accordance with requirements of user departments (budget holders) and allocated budget;

Public procurement is monitored and action taken against public officials, suppliers, contractors and consultants that do not comply with these public procurement procedures;

Any stakeholder (civil society and private sector) not satisfied with the way public procurement is conducted and/or contracts are awarded and managed can appeal for redress;

Public confidence in the government is enhanced; and

Public stores and equipment are disposed of in a transparent and more rational manner.

The IPPPP is meant to ensure that contracts are given on a competitive basis. The preferred method of procurement is the “open competitive bidding” for goods and works and “quality and cost based selection” for consulting services. The open competitive bidding process shall be considered through National Competitive Bidding (NCB) or International Competitive Bidding (ICB) where there is insufficient local expertise and effective competition cannot be obtained.

Efforts to achieve reform in public tender and procurement appear daunting, but the CMC, civil society organizations and international partners are applying efforts to enact the necessary reforms. The various stakeholders have constituted the Public Procurement Reform Steering Committee, which has produced a draft Public Procurement and Concessions Act. The National Transitional Legislative Assembly (NTLA) has passed the Act into law creating the Public Procurement and Concession Commission (PPCC).

Rule of Law and Dispute Settlement

Liberia lacks the legal environment required to ensure sustainable peace and to launch the revitalization of Liberia’s devastated political, social, and economic institutions. The numerous conflicts that have engulfed the country have substantially reduced the ability of successive governments to exercise central government authority and control throughout the nation. The police and other law enforcement entities have not been properly trained, equipped, or paid for years. Consequently, law enforcement officers generally have not acted impartially or enforced the laws of the land. The judiciary is weak and bribery of court officers is commonplace. Judges and other judicial officers are also poorly paid, courthouses are in disrepair and administrative support is non-existent. In response, Liberian Judges retort that it is difficult to restore the rule of law under these conditions.

The disregard for the rule of law has led Liberians to suffer considerable human rights abuses. The blatant disregard for the rule of law has not only affected the abuse of human dignity, but has also affected the economic vibrancy of the country. The government's failure to protect business investments by flouting commercial contracts makes it impossible for firms to rely upon the court system as a fair arbiter of disputes. Liberia has a body of law that is progressive and is similar to the criminal and civil laws in many developed countries. Unfortunately, the laws on the books are not implemented consistently or predictably, a basic requirement for economic development.

The departure of former President Charles Taylor in 2003, the presence of UNMIL and the involvement of numerous international non-governmental organizations in governance initiatives, has set the stage for the transformation of Liberia's justice system. The abuse of citizens' rights by security forces have lessened significantly since 2003. UNMIL is in charge of security and a restructuring of a new civilian police force is underway that promises to respect the rights and dignity of Liberians and foster peace. The United Nations, U.S. Department of Justice, the European Union and other NGOs are contributing to the improvement of Liberia's justice system.

Foreign Trade Zones/Free Ports

In 1976, the government of Liberia created the Liberia Industrial Free Zone Authority (LIFZA) to promote industrial and corporate growth. It designated several areas as free trade zones. Industries established in the zones are exempt from import duties indefinitely and taxes on income. The Free Port of Monrovia is one of these zones and it is the only zone operational today. A LIFZA area constructed in an industrial zone close to the port used to be home to a number of manufacturing industries. These were damaged and looted extensively during the course of several civil conflicts and are no longer operational. Presently, the UN Mission in Liberia (UNMIL) occupies what is left of the zone's facilities as one of its bases (Star Base). Other areas designated as industrial zones located along Somalia Drive between the Barnesville and Stephen Tolbert Housing Estates, once economically vibrant during the seventies and eighties, have suffered extensive damage and are currently occupied by squatters.

The government of Liberia must restart its free trade zone initiative if it expects to revitalize its dysfunctional industrial base and resuscitate the economy. Free trade zones without bureaucratic red tape and with the proper incentives are critical to attract foreign investment and create much needed jobs. Without security, good governance and transparency in government, investors are not likely to be attracted to Liberia's free trade zones.

Liberianization Policy

In 1975, the government of Liberia approved an Act to amend the General Business Law of Liberia regarding business regulations. The Act set aside twelve (12) business activities to be operated exclusively by Liberians. In 1998, the Act was amended and extended the Liberianization policy to twenty-six business activities. Section 12.1: of the Act lists businesses to be operated exclusively by Liberian Citizens or qualified persons (resident domestic entities that are owned 100% by Liberian citizens, both legally and equitably):

Block making with cement, clay or like materials
Supply of sand, stone and granite
Operation of Gas Stations
Peddling
Ice Cream Manufacturing
Commercial Printing
Travel Agencies
Advertising Agencies
Graphics and Commercial Arts
Distribution in Liberia of locally manufactured products (this provision shall not prevent manufacturers or producers from transporting or otherwise distributing their products to Liberian citizens or qualified persons for resale).
Cinemas
Production of poultry products
Importation or sale of second-hand or used clothing
Retail sale of rice
Ice making or sale of ice
Operation of water purification or bottling plant value at less than US$100,000.00 or the sale/distribution of water purified in Liberia
Importation and sale of used cars
Tire repair shops
Auto repair shop with investment of less than US$50,000.00
Entertainment centers not connected with established hotels
Retail sale of animal and poultry food
Taxi and trucking
Shoe repair shop
Retail sale of timber and planks
Bakeries
Retail sale of Pharmaceuticals

Many Liberians believe that the results that the Act sought to achieve, the increased participation of Liberians in small-scale commercial industries, has not been achieved. Enforcement of the law has been weak. Foreign businesses owned by Lebanese, Indian and African businesspersons are operating in contravention of the law. Some argue that the Ministry of Commerce, which registers many of the foreign owned businesses, is flouting the Act. The Liberia Business Association, an umbrella organization established by an Act of the Liberian National Legislature in 1975, is a strong advocate for strict implementation of the Liberianization policy. The increased and disproportionate participation of foreign businesspersons from Lebanon, India and other countries in the sub-region in all sectors of the Liberian economy is the driving force behind the government's Liberianization policy.

Immigration Laws and Regulations

The Bureau of Immigration and Naturalization (BIN) has oversight of the country's immigration regime. The BIN's task is to ensure that all persons that enter and leave the country follow the laws that govern entry and duration of stay. The BIN requires that all foreigners (except ECOWAS citizens with valid passports) visiting Liberia obtain a visa. A visa is acquired from Liberian embassies around the world or can be facilitated by a contact in Liberia before arrival (not advisable). The BIN requires visitors to get a temporary stay stamp within 48 hours of arrival. The stamp permits the visitor to stay between 30 – 90 days. A Resident Permit is required if one intends to work or stay in excess of ninety days. The Resident Permit is acquired in collaboration with the Ministry of Labor. In addition, one must acquire a Re-entry Permit, which acts as a multiple entry visa and allows one to make unlimited trips to and from Liberia without additional cost or procedure. The work permit payment is as follows:

Category	***1 Year***	***3 Years***	***5 Years***
Non African Alien	US$250	US$450	US$550
African Alien, non ECOWAS	US$100	US$150	US$200
African Alien ECOWAS	US$75	US$100	US$150
INGOs and NGOs	US$50	US$50	US$50
UN	FREE	FREE	FREE

There are various charges associated with the acquisition of visas and other documents. The cost of a visa at various embassies may differ. Liberia's Embassy visa cost schedule can be accessed via the website of the Liberian Embassy in the United States of America at www.embassyofliberia.org/consular/index.html. An application for Temporary Stay can be purchased from ECOBANK (Liberia) Limited for US$20. The acquisition of an airport visa is US$100.00.

Exit visas were abolished on October 14, 2003. However, certain taxes are levied and collected at exit points by Government of Liberia bodies other than the BIN. Exit by land border and sea requires a tax payment of US$5.00. An airport departure tax of US$25 is levied on all air travelers.

In accordance with International Health Regulations, all persons entering Liberia are required to have a Valid Certificate of Immunization against Yellow Fever. Liberian immigration officers may solicit bribes from travelers. Travelers are advised to make sure that all travel documents are in order and all legitimate fees paid when traveling to and from Liberia to avoid harassment and intimidation.

Intellectual and Industrial Property Rights

Liberia is a member of the World Intellectual Property Organization (WIPO) and a signatory to several international conventions on the protection of intellectual and industrial property rights, including the Berne, Madrid, Lisbon, and Vienna conventions. The Act adopting the New Copyright Law of Liberia, approved on July 23, 1997, provides the legal and administrative framework for the effective implementation of programs intended to protect and revitalize intellectual and industrial property rights protection in Liberia. The Copyright Office (CRO) and Industrial Property Office (IPO) manage these issues. The law makes it a criminal offense for any person to copy willfully from the work of another for the purpose of commercial advantage or private financial gain. The statute also provides for the forfeiture and destruction and/or other disposition of: infringed copies; of sound recordings and all implements; devices or equipment used in the manufacture or production of infringing copies; and sound recording. It allows search and seizure as an effective tool to curb piracy.

Holders of intellectual property rights have access to judicial redress as specified in the Act. However, despite Liberia's ascension to various conventions, enforcement of intellectual and industrial property rights is minimal. The agencies charged to handle these issues are not properly funded or staffed and intellectual and industrial property right enforcement is not a priority for government prosecutors.

The illegal trade and infringement of intellectual and industrial property rights flourishes in Liberia's markets: movies and music are duplicated; fake drugs abound, and counterfeit apparel, cosmetics, computer software and hardware are imported from countries in Asia and Africa. This illegal trade results in millions of dollars of lost revenue to the rightful owners of the patents and copyrights. Embassy is hopeful that reactivation of the CRO and IPO offices coupled with elections slated for October 2005 will boost government efforts to curb intellectual and industrial property theft. Embassy will urge the new government to prioritize intellectual and industrial property rights enforcement, as enforcement of the rule of law is required for economy recovery and Liberia's integration in the world order.

Infrastructure

Telecommunications

Fixed Lines

The Liberia Telecommunications Corporation (LTC) a parastatal, the nation's principal operator, has the legislative mandate to operate, build and provide fixed telecommunication facilities and services within Liberia. Over the last fifteen years, war caused serious destruction of LTC's infrastructure (rural networks and exchanges, and terrestrial microwave network). The company's subscriber base of 6,000 fixed lines uses mostly obsolete analog technology so interconnectivity with other operators, especially mobile operators, is difficult if not impossible.

LTC's difficulties are compounded by gross mismanagement and lack of vision. The corporation has failed to take advantage of opportunities in the mobile and Internet sectors. Recently, the LTC was tendered for private management, but because of discrepancies in the bidding process, the process was suspended. LTC's resuscitation prospects are favorable provided the corporation is reorganized to shed government intervention and incompetent bureaucrats who have used LTC as a source of income for personal and unofficial business.

(GSM) Operations

There are four licensed GSM companies in Liberia: Lonestar Communications Corporation; Comium Liberia Incorporated; Atlantic Wireless Liberia Inc./LiberCell and Cellcom Telecommunications Inc. The GSM sector has attracted significant private investment. This has alleviated the communications gap created by Liberia Telecommunications Corporation ineffectiveness. Thousands of Liberians are scrambling to acquire mobile phones. According to recent estimates, the total number of mobile subscribers is in excess of 200,000. Expansion possibilities for the mobile communication sector in Liberia are favorable, as GSM operators have linked all the counties. However, continued corruption and lack of transparency remain significant impediments to progress. The US Mission recently migrated from Lonestar to Cellcom service. UNMIL issue Lonestar as its provider.

Internet Services

Internet access in Liberia continues to improve as new companies enter the market and sector liberalization continues. In 2004, three of the four GSM companies (Cellcom, LiberCell-Atlantic Wireless and Comium) provided Internet services. Competition and liberalization has led to lower Internet subscription fees. Internet access in Liberia is obtained through wireless equipment.

Shipping

Liberia's ports are located in the cities of Monrovia, Buchanan, Greenville and Harper. The Freeport of Monrovia is the largest port. Fifteen years of instability, extensive destruction of the infrastructure and loss of technical expertise have undermined the effectiveness of Liberia's ports. All ports need serious rehabilitation. The Freeport of Monrovia, the heart of the nation's economy, has four piers and one main wharf. Three of the wharf's four berths are operational, while the capsized vessel, "Torm Alexandria" makes the fourth berth unavailable for use. The ports of Liberia have not been dredged in the last decade and the port authority lacks the modern equipment to adequately load and offload of vessels.

Traffic at the ports at Buchanan, Harper and Greenville has decreased significantly since the imposition of United Nations' sanctions on timber exports. The cessation of iron ore mining in Yekepa, Nimba County directly affected the Port of Buchanan. However, recent efforts to revive the iron ore mining sector by allowing bids for the Liminco Iron Ore Mine in Yekepa hold promise for revitalization of the Port of Buchanan. Ongoing review of forest concessions and the implementation of forest sector reform facilitated by multilateral institutions may lead to the lifting of UN sanctions and boost port traffic and employment.

The rehabilitation of Liberia's ports is crucial to revive the Liberian economy. The ports need to procure modern equipment and engage port professionals if Liberia's ports are to operate properly.

Road Transport

The limited number of usable roads throughout the Liberia impedes road transportation. Years of continued conflict left most of the roads unattended and in need of major repairs. The poor condition of roads impedes trade, and severely restricts farmers' ability to bring their produce to market. Liberia has a dry and rainy season. During the rainy season, from April to October, most roads are inaccessible. The rehabilitation of Liberia's road network is one of the major challenges facing the new government.

Rail Transport

Rail transport in Liberia was established for use by the iron ore mining concessionaires. Rail lines ran from: Yekepa in Nimba County to the Port of Buchanan in Grand Bassa County; Bong Mines in Bong County to the Freeport of Monrovia; and Liberia Mining Company in Bomi County to the Freeport of Monrovia. In 1989, all railroad systems closed due to the cessation of iron mining operations in Liberia. Unfortunately, large sections of the rail lines have been dismantled, approximately 60 km of track, and exported as scrap. Recent discussions regarding the rehabilitation of the iron ore sector have revived debate about the rehabilitation of the LIMINCO railroad. A company called

Geoservices Incorporated has been instrumental in rehabilitating the Bong Mines railroad, which also helps commuters and farmers transport their produce to Monrovia.

Air Transport

Fifteen years of insecurity in Liberia has reduced the demand for air service to and from Monrovia. SN Brussels is the only international airline that flies directly to Monrovia from Europe.

The Roberts International Airport (RIA), about 45 km outside Monrovia, is the only international airport in the country. Most of RIA's infrastructure was destroyed during years of unrest. The other airport with a paved runway is James Spriggs Payne in Monrovia. There are several gravel-surfaced airstrips throughout Liberia. Air transport within Liberia is limited to small aircraft and helicopters. Liberia does not have a national carrier.

The services provided at RIA airport leaves much to be desired. Passengers are often hassled by ill-trained airport personnel and officials. Considering the mismanagement, insufficient funding, and lack of proper equipment at airports throughout the country, air transport management is an issue that warrants comprehensive study.

Electricity and Water

Liberia lacks a functional central electricity generation facility. Civil conflicts resulted in the destruction of power generation equipment including turbines, dams and transmission lines. The Mount Coffee Hydro-electric Dam, which once supplied Monrovia and its environs with electricity sustained heavy damage and requires massive repairs. The lack of electricity is a serious impediment to the economic recovery of Liberia. Companies and individuals endure the inconvenience, inefficiency, and high cost associated with purchasing their own generators and diesel fuel to produce electricity.

The lack of pipe borne water throughout Liberia is another serious impediment to economic recovery. The water distribution network in Monrovia and other parts of the country that use to bring water directly to homes and factories is broken. In February 2004, a United Nations needs assessment document estimated that it would cost nearly US$12 million to restore running water to the city of Monrovia. Presently, water is provided to businesses by tanker trucks and porters that get water from deep wells drilled in the suburban.

The provision of electricity and water is crucial to Liberia's economic recovery and a challenge for the government elected in October 2005.

Service Sector

Over the last two decades, the Liberian service sector has declined as civil war and instability plagued the country. The service sector represents 18% of GDP. Many basic service companies went out of business because of damage to Liberia’s infrastructure and financial losses sustained during the conflicts. The lack of public utilities, especially electricity, water, and a bad road transportation network, compounds the problems in this sector. Growth in the service sector is crucial for the socio-economic resuscitation of the country, especially financial and banking services.

The Liberia’s seacoast has many beautiful beaches and an exotic wildlife sanctuary in Sapo National Park, but insecurity and lack of a viable service sector chokes opportunities in tourism, vacation, and the hotel industries.

The service sector is a likely leader of Liberia’s economic recovery process. The “informal sector” represents the largest segment of the service sector and is the major source of employment and income for thousands of Liberians. This sector includes Liberians in small scale retailing of general merchandise, construction, mechanical, food and janitorial services. The informal service sector serves as a cushion for the unemployed in the face of high unemployment.

Mining Sector

Prior to Liberia’s civil conflicts, mining was the most important sector of the economy, it accounted for two-thirds of Liberia’s exports. Liberia was one of the world's major producers of iron ore. All iron ore mines were closed during the war. Liberia has significant diamond deposits. Diamond mining, however, is suspended due to United Nation Security Council (UNSC) Resolution 1521. Gold is mined in small quantities and there are known deposits of bauxite, manganese, columbite, uranium, tantalite, copper, tin, lead and zinc. The rehabilitation of the destroyed railways and port facilities are critical to the recovery of the mining industry.

Iron Ore

Liberia and the surrounding region are rich in iron ore deposits. Liberia has three major known deposits: the Wologisi deposit in Lofa County (unexploited because there is no connecting railroad), Bong Mines in Bong County (abandoned), and the Western Area surrounding Yekepa in Nimba County. There are also rich deposits in Guinea at Mifergui and Simandou. Iron ore from the Western Area provided roughly half of the government’s revenues until the mines closed in 1990. The infrastructures that supported the mines were looted or decayed as result of neglect. The deep-water port of Buchanan has been abandoned. AMLIB a Liberia joint venture company with American investors has recently rehabilitated the rail link from Bong Mines to Monrovia.

The National Transitional Government of Liberia (NTGL) selected Mittal Steel in a bid to revitalize and manage the Liberia Mining Company (LIMINCO) mine in Yekepa, Nimba County. Global Infrastructure Holdings Limited (GIHL) opposed the agreement. They claimed that the NTGL promised to sign a Mineral Development Agreement (MDA) with them before the bidding process. GIHL filed a lawsuit against the NTGL that it later withdrew. The NTGL and Mittal signed a Mineral Development Agreement. As part of the Governance Economic Management Assistance Program (GEMAP), all contracts signed by the NTGL are to be reviewed.

Restarting the iron ore industry will benefit Liberia's infrastructure. Iron ore exploitation will prompt the restoration of the port at Buchanan, the Buchanan-Yekepa rail line, and open the possibility of connecting this rail line to iron ore deposits in Simandou and Mifergui in Guinea.

Diamonds

Liberia is rich in diamonds, both alluvial and kimberlite. Alluvial diamonds are commonly found in streambeds and river gravels where they eroded from upstream deposits. Kimberlite pipes are formations of highly compressed rock containing diamond deposits. Alluvial deposits are less expensive to mine as they are harvested near the surface. 'Backyard' prospectors are commonplace in Liberia using picks and shovels. Diamonds are mined in Gbarpolu, Bomi, Lofa, Bong and Nimba counties. There is potential for Kimberlite mining but this process is capital intensive, requiring significant investments in labor and equipment.

Sanctions: UNSC Resolution 1521 established sanctions on the export of diamonds from Liberia. During the civil war in Sierra Leone, the RUF commonly used Liberia as an export market, with the proceeds funding their military operations. There were also allegations that terrorist organizations were laundering money by using diamonds exported from Liberia.

Implementation of the Kimberly Process (KP) is recognized as a necessary precursor to lifting UN sanctions. The Ministry of Lands, Mines and Energy is the primary oversight body for the diamond industry, and it has produced mixed results at best. The Ministry has enacted a voluntary ban on the issuance of alluvial diamond mining licenses, but has allowed three industrial scale mines to exist. The NTLA has also passed enabling KP legislation. In June 2005, the UNSC renewed sanctions on Liberia partially because of the lack of transparency in a contract between the NTGL and WAMCO, but primarily due to the lack of KP implementation. The United States Government in collaboration with the U.S. Geological Survey has allocated $1.4 million to assist Liberia in implementing the Kimberly process.

Rubber Sector

Liberia has significant competitive advantages for rubber production because of the absence of many predatory fungi as well as a favorable climate and good soils. Liberia's share of the world rubber market has plummeted to around 4% as production has increased in Asia and other African countries, and fallen locally. The rubber market in Liberia is valued at approximately $42m per annum.

The rubber industry in Liberia is dying. If significant replanting is not done in the next four years, the industry will be dead within a decade because of aging trees and slaughter tapping.

The Companies

Firestone is by far the biggest and best-known rubber producer. Firestone recently concluded a renewal of its long-term concession agreement, which was ratified into law by the NTLA. It has undertaken the clearing and replanting of over 3000 acres in 2005, and is actively working to reinvigorate the industry in Liberia by providing free rubber stumps and technical assistance to small farm holders. USAID is a partner in the Liberian Rubber Alliance, which also includes Firestone Plantations Company (FPC), Liberian Agriculture Company (LAC), Weala Rubber Corp. (WRC), and Rubber Planters Association of Liberia (RPAL). The alliance seeks to promote the redevelopment of smallholder rubber as an economically important crop for Liberian agriculture.

Firestone purchases nearly all of the rubber produced in Liberia, processes it at its plant in Harbel, and exports it to the United States through the Monrovia Freeport. As the only direct exporter to the United States, the US Coast Guard Port Security Advisory on Liberia directly affected Firestone. Firestone worked with the Coast Guard and the National Port Authority to implement special security arrangements to enable it to avoid the most draconian provisions of the PSA.

LAC/Weala is located in Grand Bassa and Bong Counties respectively. LAC has 120,000 -hectare land concession. It acquired this land more than 40 years ago. It exported rubber from the concession until 1992, when the war forced the operation to shut down temporarily. The ownership of the land and the company’s assets has been a source of ongoing contention due to confusion created by the conflict and other financial matters.

In 1998, a Luxembourg holding company called Socfinco purchased 75 percent of LAC and Weala Rubber Corporation. Socfinco developed a $7 million program to rehabilitate and expand the LAC rubber plantation. LAC/Weala produced almost forty percent of the total rubber produced in the economy.

Guthrie Rubber Plantation is the second largest rubber company located in Bomi County. It stretches for 15 km along the main road from Monrovia to the western border of Sierra Leone. It has been occupied by ex-combatants from LURD who are slaughter tapping the trees.

Small rubber companies and individual farmers contribute significantly to the rubber industry. However, because of insecurity and fighting in the countryside many small farms have neglected. Trespassers fell trees for charcoal and slaughter tap them for rubber. The revitalization of these small farms is crucial for the recovery of the rubber sector. USAID and other members of the Liberia Rubber Alliance plan to assist these small farmers reinvigorating the industry. Clearly defined government policy and financial assistance is needed to ensure success.

Oil Sector

Liberia, like much of West Africa, has significant prospects for deep-water oil exploration. Responsibility for oil exploration belongs to a parastatal, the National Oil Company of Liberia (NOCAL). In 2004, NOCAL commissioned a two dimensional (2D) seismic study of the offshore shelf, and divided the territory into 17 blocks. Thereafter, a bidding process was commissioned by NOCAL for companies to acquire licenses for exploration in the 17 blocks. Two blocks were awarded in a no-bid process, one each to Repsol (Spain) and Oranto (Nigeria). Six additional blocks were awarded through a bidding process in June 2005 to Broadway Consolidated (UK), Regal Petroleum (UK) (two blocks), Woodside (UK), Repsol and Oranto.

NOCAL recently faced criticism when it surfaced that due diligence was not carried out on the executives of one the companies that won the bid and, the Contracts and Monopolies Commission (CMC) did not approve the deals. The CMC claims that they did not have the technical competence to pass judgment on the process. NOCAL has agreed to allow its bidding process to be reviewed by World Bank experts. More clarity is need in the licensing process in the oil sector.

Timber Sector

Context/Historical Perspective: Liberia is the last vestige of the West African intact forests. Half of the land area of 37,150 square miles (9,675,000 ha) is composed of tropical forest. The timber industry has undergone three major transitions over the past 20 years. After Samuel Doe seized power in 1980, a booming industry achieved the highest harvest volumes yet: in 1989, ~ 3 million cubic meters (m^3) of timber was produced. The industry stagnated during the civil war of the 1990s. In 1997 under Taylor, timber production was established as an important source of revenue for Liberia. According to the Central Bank of Liberia, timber comprised more than 50% of reported exports, and according to the IMF, timber contributed more than 20% of GDP. Before closure the industry accounted for up to 8000 jobs, the many were rural, informal, and paid less than 50 USD per month.

The Forestry Development Authority (FDA) manages Liberia's forest, which includes ~5 million hectares of concessions held by 30 companies at the end of the Taylor regime. Under presidential decree, Taylor pursued a policy that encouraged large-scale investment and which reduced the number of small logging concessions. Current legislation requires all forest concession holders to make a minimum investment in timber processing facilities for value added export and employment generation.

Markets: Between 2000-02 about 65% of Liberian timber exports went to European markets and 35% to Asian markets and total exports were between 635,000 and 1,000,000 cubic meters. The majority of timber exports were round logs. During the period when OTC functioned, veneer and plywood exports increased from their plant in Buchanan. Liberia also has several high value plantation species that are usually considered under agricultural production including high quality rubber and palm oil.

Sanctions: Currently, UN timber sanctions bar round logs exports. A consortium of the U.S. government, World Bank, and International NGOs is assisting the FDA to install transparent revenue collection and production monitoring procedures. The new government has issued an Executive Order canceling all forest concessions in accordance with a recommendation made by the Forestry Concession Review Committee and supported the Liberia Forest Initiative (LFI), a consortium of international partners. This Order is in consonance with efforts to lift sanction on the export of logs.

Investment Potential: While it is currently risky to invest in Liberia due to threats of civil instability and the "cost of doing business", there are markets that are potentially profitable. The government intends to increase value added processing verses round log export. Capital strapped local companies will likely seek partners for concession management and equipment procurement needed to start operations. Potential non-timber markets for investment include rubber, palm oil, cocoa, teak plantations and *Allanblackia* (a substitute for commercial uses of palm oil).